



Dennis Braddock, Secretary

FINAL BUDGET

2003 - 05 Biennium Funding

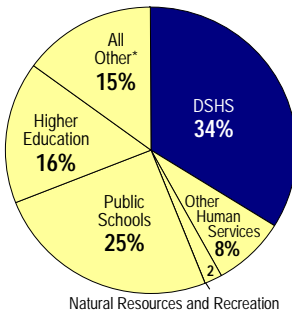
A New Budget for DSHS: Outcome of the 2003 Session

AS SIGNED BY GOVERNOR'

July 1, 2003

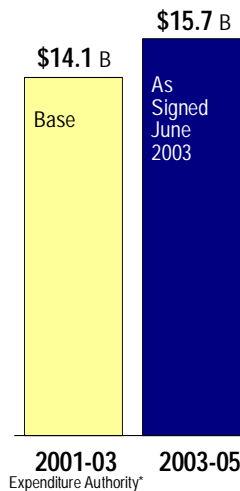
One-Third of the State Budget

State Budget = \$44.7 Billion
All Funds



2001-03 Biennium Funding for DSHS Compared to 2003-05

Annual Average, All Funds



CONTACTS

DSHS Budget
Information Line
360.902.8255

www1.dshs.wa.gov/budget

Persons with disabilities or special needs may call the Budget Information Line at 360.902.8255 and request a hard copy.

IT SEEMS LONGER BUT it was just two biennial budgets and four years past – DSHS was in expansion mode with funding authorized to improve caseload ratios, extend medical coverage to those in need, put families to work, and launch an agencywide children's initiative. Although administrative levels had begun to ratchet down seven years earlier, staffing levels for face-to-face contact were at their peak. Programs set forth to implement the budget under the assumption that work would proceed on course.

Then state revenues fell short of expectations and medical inflation continued to rise. A series of decisions became necessary to bring the budget in balance. Efforts to consolidate programs began, facilities were closed, new program starts delayed, hiring postponed, and administrative services further reduced. The 2003-05 budget for DSHS represents a continuation of the trend to downsize the department. Today, there are fewer employees, the administrative budget is leaner, and DSHS is focused first on strategies to preserve services for those most in need. Funding trends of interest and highlights of the 2003 session are provided below.

THE EVOLUTION OF DSHS

In 1989-91, Medical Assistance, Aging and Disabilities, and Economic Services each consumed about one-fourth of the DSHS budget. The Medical Assistance Administration now represents 45 percent of the total (all funds). This reflects policy decisions to increase medical enrollments, meet inflation, and put people to work.

1989-91

Medical Assistance 26%	Aging & Disabilities 25%	Economic Services 26%	Health & Rehab 13%	6%	Children's 2%	Juv Rehab 0.7%	Central Admin 1.4%
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2003-05

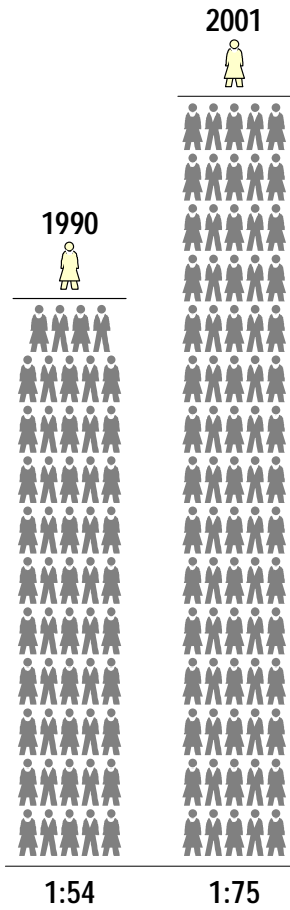
Medical Assistance 45%	Aging & Disabilities 23%	Economic Services 13%	Health & Rehab 10%	6%	Children's 1%	Juv Rehab 0.8%	Central Admin 0.7%
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DSHS has taken several steps to control costs in Medical Assistance, most recently through utilization cost containment, drug purchasing, disease case management, premium adjustments and changes to interpreter services. Streamlined claims processing is also underway, as a joint effort with our Economic Services Administration.

DSHS Client to Staff Ratios

Serving More Clients per Employee Over Time

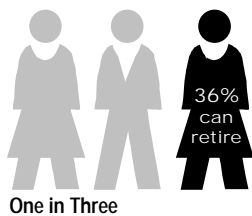
An Aggregate Picture



NOTE: This chart provides a high-level comparison. The calculation takes into account ALL clients of DSHS divided by the TOTAL number of Full Time Equivalent (FTE) employees in DSHS. Ratios vary significantly from program to program and can span caseloads of a few clients to – in the case of accounting services – several thousand per employee.

Managing the Future of DSHS

DSHS Managers Able to Retire Within the Next Two Years



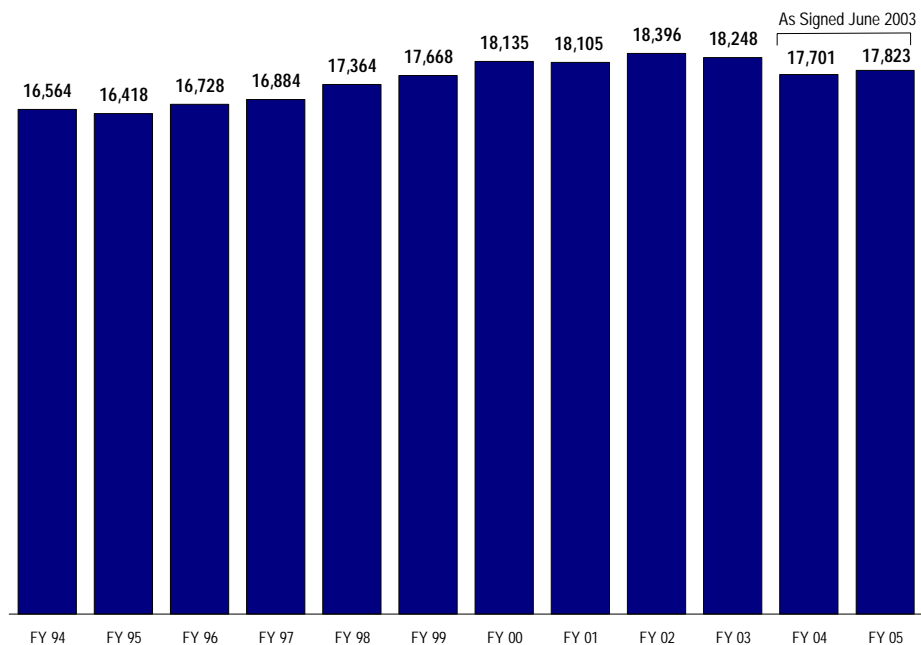
WHERE THE DOLLAR GOES

Five out of every six dollars directed to DSHS (83 percent of the total budget) is paid directly to clients and vendors. The other dollar is split between employee wages and benefits (12 percent of the total), and costs necessary to support operations, such as leases, technology systems, legal costs, and administrative expenses (all totaled, 5 percent of the budget). How these dollars are spent varies significantly among programs, depending on business requirements and legal mandates.



CHANGE IN FTES (FULL TIME EQUIVALENT EMPLOYEES)

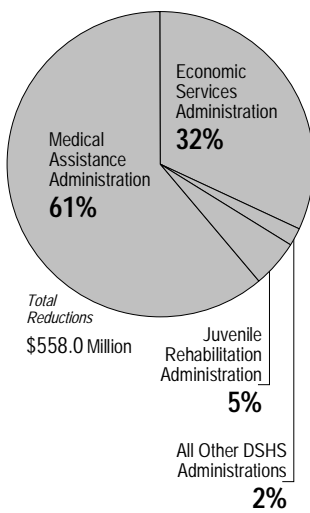
The DSHS employee count grew for a time, consistent with policy decisions to meet caseload demands and account for general population and client increases. In Fiscal Year 2000, steps were taken to reduce staffing levels. These were reflected on the books beginning in Fiscal Year 2001. The chart below shows the 12-year trend.



Numbers for Fiscal Years 2002 and 2003 reflect initial enacted budget levels, before reductions taken in supplementals and executive actions.

2003-05 Budget Outcomes

How Reductions Were Distributed Across DSHS



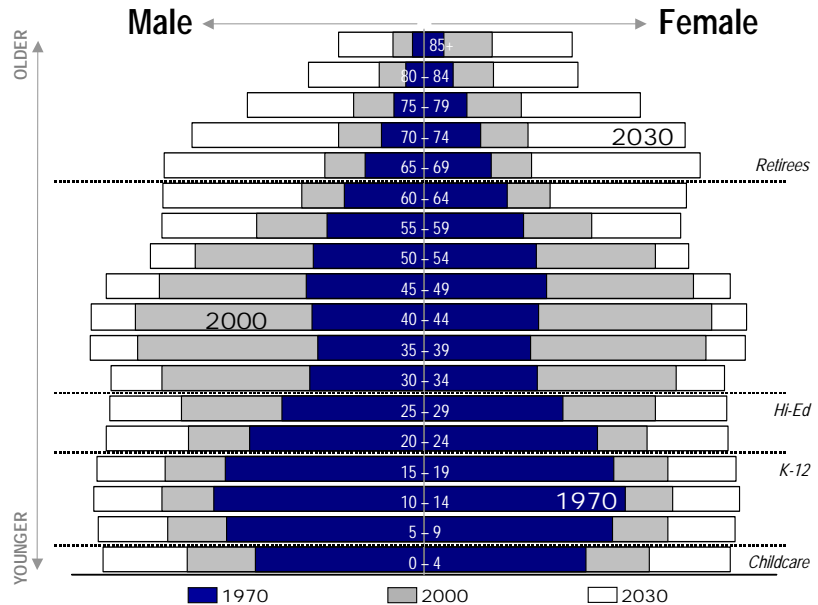
Maintenance and Policy Level Adjustments by Program

See discussion at right on "Budget Building Steps" for detail on Maintenance and Policy level adjustments.

ML	PL	NET
DOLLARS IN THOUSANDS		
Children's Administration 010		
65.7	(2.5)	\$63.2
Juvenile Rehabilitation 020		
(7.5)	(21.8)	\$(29.3)
Mental Health Division 030		
64.7	(0.3)	\$64.4
Developmental Disabilities 040		
77.9	(4.1)	\$73.8
Aging and Adult Services 050		
111.8	108.0	\$219.8
Economic Services Administration 060		
(158.2)	(19.2)	\$(177.4)
Alcohol and Substance Abuse 070		
(0.2)	1.3	\$1.1
Medical Assistance Administration 080		
1,640.1	(337.2)	\$1,302.9
Vocational Rehabilitation 100		
(3.7)	6.2	\$2.5
Administration 110, 145, 150		
(3.3)	21.8	\$18.5
TOTAL - ALL DSHS		
\$1787.3	\$(246.3)	\$1,541.0
TOTAL Increases = \$2097.5		
TOTAL Reductions = \$(556.5)		
NET CHANGE = \$1,541.0		

STATE POPULATION TREND

Washington's population now stands at **6 million**. By 2030, the number is expected to be 8.4 million, an increase of 40 percent. We'll see a growing percent of elderly in the mix. In the mid-1960s, 9 percent of the population was over 65; by 2030, it will be 20 percent. The changing distribution raises many questions, among them: How we will provide medical care for the elderly who typically have higher medical costs? How will we provide daily care and assistance? And if trends continue, how will we weigh dollars against other policy priorities? **The state population** across age groups:



THE BUDGET BUILDING STEPS

In Washington State, the budget is built in two steps. First, inflationary costs, caseload adjustments, and the impact of new state or federal laws are estimated. These costs are added (or – when caseloads are down – subtracted) from the existing level of funding. This is called the **Maintenance Level** adjustment, or “ML” for short.

The second step is to introduce program changes. These may result in reductions or additions to the budget, depending on whether a proposal eliminates a current activity or adds something new. Sometimes new activities can result in cost savings to the state. When this is the case, the amount is subtracted from the base. In budgeting, this second step is called the **Policy Level** adjustment, or simply “PL.”

The key difference between the ML and PL adjustment is that the maintenance level is typically driven by factors outside our control, like a utility increase or legislatively approved salary adjustment. A policy level adjustment represents a deliberate choice about something within our control – activities we can consciously add or eliminate from our current scope of responsibility. A good example is the decision to house convicted criminals in the community or restrict them to state-operated facilities or institutions. These can be tough decisions. They are ultimately a reflection of our values as a society, but are largely driven by sheer economics and tolerances we can afford.

When we look at a budget, we identify the ML and PL steps to see if the outcome is one of “choice” or if it was more of a “response” to outside conditions. Given today's economy, it comes as little surprise that changes made to DSHS' budget in 2003-05 came largely at the ML level. Except to scale back programs, few policy choices could be made. The ML and PL changes are provide in sidebar charts.

Recent Institutional Closures and Downsizings

Aging and Disability Services Administration

Includes both Long Term Care and Developmental Disabilities

- Eight cottages closed at Residential Habilitation Centers in 2001-03
 - Fircrest School capacity scheduled to downsize by about 25 percent in 2003-05

Children's Administration

- Reduction to home support specialist services of 30 percent in 2001-03

Economic Services Administration

- Five local Community Services Offices closed in 2001-03
- Child care policy and subsidy programs, licensing, and early childhood programming from different parts of state government consolidated in July 2001

Juvenile Rehabilitation Administration

- Mission Creek Youth camp and 64-bed unit at Maple Lane closed in 2001-03

Medical Assistance Administration

- In 2001-03, Utilization and Cost Containment Initiative implemented, payments for prescription drugs reduced, disease case management implemented, premiums on transitional TANF clients imposed, claims processing streamlined, HIV cost controls instituted

Mental Health Division

- Four wards closed at Western State Hospital in 2001-03 for people no longer meeting criteria of involuntary commitment and who are ready for discharge
- One ward closed at Eastern State Hospital for the same reason

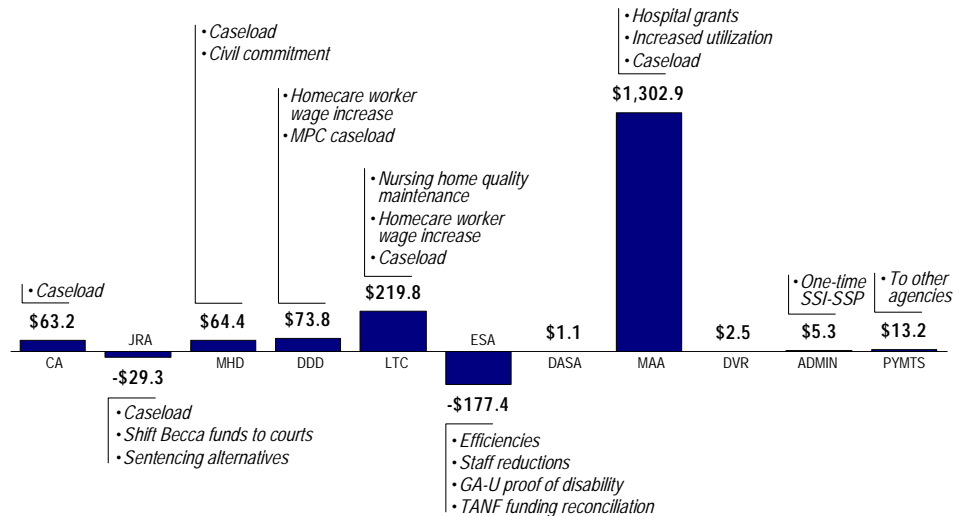
DSHS Central Administration

- Consolidated the divisions of Budget and Finance in Fiscal Year 2003
 - Overhauled the agency's human resource functions in 2001-03
 - Eliminated Secretary-level review for public assistance entitlement programs and child support hearing decisions issued by the Office of Administrative Hearings (review of licensing and abuse cases continues)

2003 SESSION OUTCOME

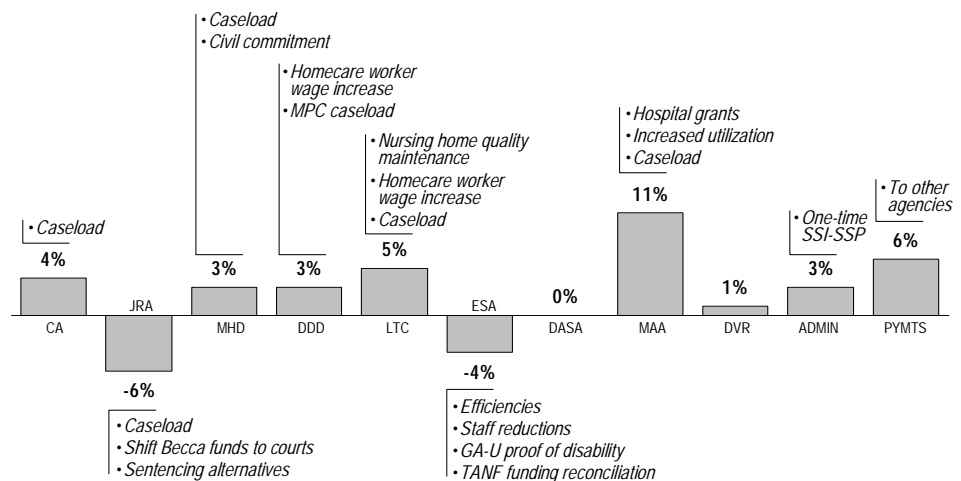
Actual Dollar Change from 2001-03 Appropriation

TOTAL Dollar Increase = \$1.7 Billion (Amounts provided in millions)



Percentage Dollar Change from 2001-03 Appropriation

TOTAL Increase (Annualized) = 5 percent



FTE Change from 2001-03 Level

Actuals by Program, TOTAL Decrease = (305 FTEs)

